VICTORY NICKEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM INCEPTION,

FEBRUARY 1, 2007, TO DECEMBER 31, 2007

DATED MARCH 27, 2009

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For the Year ended December 31, 2008 and the Period ended December 31, 2007

The following discussion of the results of operations, financial condition and cash flows of Victory Nickel Inc. ("Victory Nickel" or the "Company") prepared as of March 27, 2009 consolidates management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2008 and the period from inception, February 1, 2007, to December 31, 2007, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's audited consolidated financial statements for the year ended December 31, 2008 and the period from inception, February 1, 2007, to December 31, 2007 ("2008 Audited Consolidated Financial Statements") and the notes thereto. Readers are encouraged to consult the 2008 Audited Consolidated Financial Statements which were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are available at www.sedar.com and at the Company's website www.victorynickel.ca. All amounts disclosed are in Canadian dollars unless otherwise stated. All tabular amounts are in thousands of Canadian dollars.

COMPANY OVERVIEW

Victory Nickel is a Canadian exploration and development-stage mineral resource company (an enterprise in the development stage as contemplated within Accounting Guideline 11 of the Canadian Institute of Chartered Accountants ("CICA")) and is engaged in the acquisition, exploration and development of nickel projects in Canada.

Formed on February 1, 2007 as described below, Victory Nickel owns 100% of four advanced sulphide nickel projects: the Minago, Lynn Lake and Mel projects in Manitoba and the Lac Rocher project in Québec. A feasibility study on the Minago Project, originally scheduled for completion in 2008, has been delayed once more as the current economic environment has necessitated a detailed review of all of its components to accurately reflect project economics. During 2007 and into 2008, the mining industry experienced unprecedented increases in the cost of materials, equipment and personnel due to the availability of capital for exploration and development and worldwide commodities demand. This trend is now reversing itself. As a result, the Minago feasibility study is now expected to be completed in 2009 following the aforementioned review. At the Lac Rocher Project, permitting efforts will continue in preparation to commence mining when metal prices recover and the Company is evaluating the production potential of the Mel and Lynn Lake Projects.

In the current nickel price and financial environment, it is unlikely that any of these projects will commence development in 2009.

The Company also owns an approximate 10% interest in Wallbridge Mining Company Limited ("Wallbridge") as well as warrants which, if exercised, would increase the ownership to approximately 13% on a partially diluted basis.

ACQUISITION OF INDEPENDENT NICKEL CORP.

On August 19, 2008, the Company launched an unsolicited offer to purchase all of the common shares of Independent Nickel Corp. ("Independent"). The assets of Independent include a royalty on Victory Nickel's Minago sulphide nickel project in Manitoba ("Minago royalty") and exploration and development properties in Lynn Lake, Manitoba.

Accordingly, in October, 2008, the Company acquired an aggregate of 50,830,249 shares of Independent representing approximately 84% of the issued and outstanding Independent shares. Pursuant to a subsequent acquisition transaction ("SAT"), approved by shareholders on December 23, 2008 at a shareholder meeting of Independent, the Company, through its newly-formed wholly-owned subsidiary, 2190583 Ontario Inc., acquired the remaining 16% of Independent shares not already tendered through the issuance of 10,761,829 shares of Victory Nickel. Effective January 1, 2009, the subsidiary and

Independent amalgamated, creating new "Independent Nickel Corp." The Company has commenced the wind-up of new Independent Nickel Corp. into Victory Nickel. The Company also made application to the relevant securities commissions to cease Independent's registration as a reporting issuer; such application was approved in January 2009.

The Company acquired 100% of the Independent shares through the issuance of an aggregate of 66,675,103 shares of the Company to former holders of Independent shares on the basis of 1.1 of a Victory Nickel share for each Independent share. The Victory Nickel shares issued under the SAT have been treated as being issued effective December 23, 2008; the shares were actually issued on January 2, 2009.

As part of the acquisition, Victory Nickel also issued 6,643,998 replacement options to the option holders of Independent based upon the same ratio. The fair value of options issued was estimated at $186,000 using the Company's Black-Scholes assumptions in Note 11 to the 2008 Audited Consolidated Financial Statements. The predecessor Independent options were cancelled. Furthermore, 1,537,963 replacement warrants were recorded for the benefit of warrant holders of Independent which were outstanding at the date of the SAT. Such warrants were based upon the same ratio. The fair value of the warrants was estimated at $nil using the Company's Black-Scholes assumptions in Note 11 to the 2008 Audited Consolidated Financial Statements.

In accordance with Canadian GAAP, the actual measurement date of the purchase consideration occurred on the date that the shares were issued, or when the shareholders approved the SAT. Accordingly, the value of the purchase consideration is based on the market prices of Victory Nickel common shares on the measurement dates of October 6, 2008, October 17, 2008 and December 23, 2008 of $0.105, $0.075 and $0.04 per share respectively.

The allocation of the aggregate purchase price to Independent's net assets acquired is as follows:

Purchase Price						
Issuance of 66,675,103 common shares of the Company					$	6,166
Transaction costs						1,427
Issuance of replacement options						186
Issuance of replacement warrants						-
					$	7,779
Fair Value of Independent's Net Assets Acquired:						
Current assets (including cash of $2,308)					$	2,594
Capital assets, net						83
Future income tax assets						3,480
Exploration and development projects:	Lynn Lake	$	1,241			
	Minago royalty		770			2,011
						8,168
Current liabilities						(362)
Non-controlling interests						(27)
					$	7,779

FORMATION OF THE COMPANY

Pursuant to a Plan of Arrangement which became effective February 1, 2007, the Company was formed upon the amalgamation of two predecessor companies incorporated in December, 2006 for the purpose of carrying out the Plan of Arrangement. Upon completion of the amalgamation, the Company entered into a series of transactions which resulted in the following transfers to the Company:

a) three mineral resource properties, namely the Minago and Mel sulphide nickel projects in Manitoba and the Lac Rocher sulphide nickel project in Québec (collectively the "Nickel Properties"), from Nuinsco Resources Limited ("Nuinsco"). These properties were recorded at their carrying value in the accounts of Nuinsco of $5,800,746, net of related accounts payable of $527,871;

b) exploration advances to the Company's joint venture partner managing the Mel project of $448,428; and

c) cash of $12,667,740

in exchange for the issuance of 154,003,146 common shares of the Company.

The terms of the Plan of Arrangement resulted in Nuinsco initially owning 25% of the Company's common shares and 75% being distributed to Nuinsco's shareholders. Accordingly, Nuinsco's shareholders continued to own 100% of the transferred assets by virtue of their direct holdings of the Company's shares and their indirect ownership interest through their Nuinsco share holdings. As a consequence, this related party transaction was recorded by the Company at the carrying value of the Nickel Properties transferred and the cash received.

The cash transferred from Nuinsco to the Company was the amount of the net proceeds of $14,045,317 received by Nuinsco in a December, 2006 private placement less the aggregate of $929,149 expended by Nuinsco on the transferred Nickel Properties from the date of the private placement to February 1, 2007, the effective date of the Plan of Arrangement, and exploration advances as at February 1, 2007 amounting to $448,428. The latter amount represents cash advanced to the Company's joint venture partner on the Mel project.

In addition, the Company was responsible for all costs relating to the Plan of Arrangement. The total of such costs in the amount of $762,062 has been treated as a capital transaction and shown as a reduction in share capital.

A summary of the net assets acquired is as follows:

Cash (net of out-of-pocket costs incurred to complete the Plan of Arrangement of $762)				$	11,906
Nickel Properties					
Exploration advances - Mel					448
Exploration and development projects:	Minago	$	2,976		
	Mel		706		
	Lac Rocher		2,118		5,800
					18,154
Less liabilities:					
Accounts payable					527
Future income taxes (1)					1,914
				$	15,713

(1) The future income taxes result from the fact that, pursuant to tax elections filed as part of the Plan of Arrangement, the cost bases for tax purposes of the nickel assets is $nil versus a net carrying value on acquisition of $5,800,746.

HIGHLIGHTS

Corporate

- Purchased an equity position in Wallbridge, adding participation in the Sudbury basin and the Duluth Complex in northeastern Minnesota to Victory Nickel's asset base.
- Appointed Steve Harapiak, an engineer with years of senior international mining experience, as President and Chief Operating Officer.
- Added the Honourable Ethel Dorothy Blondin-Andrew, P.C., B.Ed., LL.D as a Director of the Company.
- Completed an $8.1 million non-brokered private placement financing.

- Acquired all of the outstanding common shares of Independent, effectively eliminating the Minago royalty interest owned by Independent and adding the Lynn Lake project as the Company's fourth sulphide nickel project.

Minago

- Increased both the quantity and value of frac sand by-product overlying the proposed Minago open pit.
- Reported significant nickel intersections from drilling at depth in the Nose Deposit and in the North Limb at Minago.
- Signed an option agreement with Xstrata Nickel, ("Xstrata Nickel"), a business unit of Xstrata Canada Corporation, to acquire a 100% interest in five mineral claims located adjacent to the Minago property package (the "Xstrata Option") and confirmed the presence of nickel mineralization through an eight-hole drill program.
- Confirmed through geophysics the potential for a continuous nickeliferous body at Minago linking the Nose Deposit and the North Limb to a depth of 1.5km.
- Engaged Raymond James Ltd. to determine the most effective strategy to maximize the value of the frac sand by-product.
- Engaged Outotec (USA) Inc. ("Outotec") to complete a feasibility-level design of a frac sand processing plant.
- Completed a comprehensive metallurgical study showing improved nickel recoveries and confirming that one of the world's highest-grade nickel concentrates can be produced using conventional milling and flotation methods.
- Announced positive results of the Outotec frac sand plant design and operating cost study indicating the potential to generate substantial value from the sale of frac sand as a by-product of nickel mining.
- Announced very positive results from a hydrogeologic study by Golder Associates indicating a 72% decrease in the average water pumping rate compared with initial estimates.

Mel

- Continued discussions with joint venture partner Vale Inco on details of a metallurgical testing program to be undertaken by Vale Inco.
- Engaged Wardrop to begin work on an updated nickel resource estimate incorporating all drilling done to date.

Lac Rocher

- Confirmed excellent nickel (79.9%) and copper (94.2%) recoveries from Lac Rocher ore.
- Obtained the Certificate of Exemption from the Québec government, paving the way for an underground exploration and bulk sampling program.
- Announced the results of the Lac Rocher Preliminary Economic Assessment, indicating that higher metal prices were necessary to make the project feasible based on the currently known deposit size.
- Advanced permitting and road construction activities to prepare for development when metal prices recover.

OUTLOOK

The global economic crisis has changed the immediate outlook for not only the metals industry but all segments of the economy. What was referred to as a "super cycle" fizzled faster than anyone could have imagined. Banks face bankruptcy, automakers are considering creditor protection and governments are being forced to bail out private sector businesses all around the world. Companies, large and small, from all sectors are impacted. The consolidation of the mining industry which took place over the last several years and the pace of exploration and development when credit was readily available has resulted in strained balance sheets for large, medium and small companies across the mining industry, and Victory Nickel is no exception.

The precipitous decline in base metal prices has made otherwise strong operating mining companies uneconomical. Combined with the lack of credit, this has necessitated immediate mine closures to protect valuable cash resources. This represents an important difference in the current cycle when compared with past cycles. In prior cycles, mining companies continued to operate mines at a loss resulting in inventory build up that took years to deplete. As a result, metal prices also took years to recover. In the current cycle, however, mining companies, particularly in the nickel sector, have reacted quickly to close money-losing operations. Although inventories have not yet fallen due to the severe and sudden drop in consumption, the magnitude of the increase in inventories is much less than we have seen in the past. This bodes well for a fast and strong recovery when metals demand returns.

The global financial crisis has also had a positive impact on the cost side of the equation. The high growth of the last several years strained the availability of labour, services and raw materials resulting in unprecedented escalations in the cost to develop and operate projects. Long lead times for equipment deliveries caused expensive delays, steel prices rose to record highs and energy costs were at levels never seen before. Very quickly, however, costs and the availability of equipment and people are returning to reasonable levels.

Good projects may look unattractive today because of the decline in metal prices, but lower costs should offset this somewhat. The mining industry has historically developed mining projects when metal prices, and costs, are high. The time to build a mine is when prices are low in order to be ready for when metal prices rebound, as we know they will. Unfortunately, financing project development when prices are low is very difficult, as lenders and investors are normally not prepared to finance on future price expectations. This is a significant challenge that management is working hard to overcome.

As a result of the acquisition of Independent in 2008, Victory Nickel is fortunate to now have four sulphide nickel projects in two locations rated among the world's strongest supporters of the resource industry. Québec, where Lac Rocher is located, has once again been rated the best place to be in the resource business by the Fraser Institute and Manitoba, where the Mel, Lynn Lake and Minago projects are located, has been ranked 8th. With over 900 million pounds of measured and indicated in-situ nickel resources, Victory Nickel has one of the world's largest undeveloped sulphide nickel resources. Although economics are tougher at today's nickel prices, we believe that the nickel production cost curve will continue to improve as sulphide deposits amenable to conventional processing become scarcer. Good deposits do not go bad in times of low metal prices.

Management continues to be very busy moving the Minago feasibility study toward completion. As noted above, with the global financial meltdown, it became apparent that many of the costs estimated during the highest cost cycle in history needed to be reviewed and reconsidered. This process is ongoing and expectations are that this review will be completed in 2009.

The Lynn Lake, Lac Rocher and Mel sulphide nickel projects will be kept ready to profit when metal prices recover. A pre-feasibility study was completed on the Lynn Lake project in December, 2007 indicating that the mine is feasible at higher metal prices. A preliminary economic assessment of the Lac Rocher project completed in November, 2008 indicated that the project could be brought to production quickly when prices recover.

The Company's objective continues to be to make the transition from developer to nickel producer. This is eminently possible with its four sulphide nickel projects. Once the Minago feasibility study is completed, we will continue efforts to structure a financing proposal that will work in today's environment. Minago will be a mega project for Manitoba and contribute greatly to the welfare of that province and its residents in the Minago area. We expect to receive the full support of the Manitoba government and First Nations to move the project forward.

With four projects and over 900 million pounds of in-situ nickel in NI 43-101-compliant measured (171 million pounds) and indicated (778 million pounds) resources, plus an additional 244 million pounds of in-situ nickel in inferred resources, Victory Nickel has one of Canada's largest undeveloped sulphide nickel inventories. Victory Nickel will continue to take advantage of the worldwide shortage of sulphide nickel assets and to capitalize on higher nickel prices when they return.

In the interim, the Company will preserve cash and focus only on activities which are required to protect its projects to the benefit of all of our shareholders.

One of the immediate challenges is to fund the ongoing costs to support a public company. These costs, estimated to be in excess of $700,000 annually, are non-discretionary. Management will make every effort to keep these costs at a minimum.

The Company is already lean but management has agreed to defer a portion of salaries as have directors until the Company's financial circumstances and the economy improve. Cost reduction measures are in place and advance approvals must be received for travel, consulting and other similar discretionary expenditures. All other discretionary spending has ceased. The cost to complete the Minago feasibility study is considered non-discretionary and the study will be completed.

SELECTED FINANCIAL INFORMATION

(in thousands of Canadian dollars, except per share amounts)		**2008**		2007
Summary Operating Results Data				
Revenue	**$**	**241**	$	559
General and administrative expenses		**1,997**		1,643
Stock option compensation		**311**		1,369
Writedown of available-for-sale investment		**2,040**		-
Future income tax recovery		**(1,544)**		(225)
Net loss and comprehensive loss		**(2,543)**		(2,228)
Loss per share		**(0.01)**		(0.01)
Summary Balance Sheet Data				
Cash and cash equivalents		**4,418**		12,885
Marketable securities		**450**		-
Other current assets		**853**		483
Exploration and development projects		**31,430**		15,762
Total assets		**37,267**		29,410
Current liabilities		**1,917**		983
Future income taxes		**-**		1,689
Total shareholders' equity	**$**	**35,350**	$	26,738

RESULTS OF OPERATIONS

For the year ended December 31, 2008, the Company had a net loss of $2,543,000 or $0.01 per share (from inception, February 1, 2007, to December 31, 2007 - net loss of $2,228,000, or $0.01 per share). The results include the results of operations of Independent from the date of acquisition of control on October 6, 2008.

The loss resulted from general and administrative expenses of $1,997,000 (2007 - $1,643,000), stock option compensation of $311,000 (2007 - $1,369,000) and the $2,040,000 writedown of the Company's investment in Wallbridge due to the other-than-temporary decline in the market value of the shares, net of interest income of $241,000 (2007 - $559,000; including a gain on the sale of marketable securities of $62,000). Wallbridge, like all other junior exploration companies, has been impacted by the general deterioration of the capital markets. These were partially offset by a recovery of future income taxes of $1,544,000 in 2008 compared with $225,000 in 2007.

Interest income declined from 2007 to 2008 as a result of lower cash balances available for investment in 2008 combined with lower interest rates.

General and administrative expenses include $650,000 in costs charged by Nuinsco as described under related party transactions below (2007 - $809,000). Costs allocated from Nuinsco pursuant to the management agreement between the Company and Nuinsco are activity related. In 2008, costs included time spent on the acquisition of Independent; in 2007, costs included time spent by management on a significant potential acquisition which was not completed. Furthermore, general and administrative expenses in 2008 included severance costs for a former employee, increased directors' fees as a result of activity with respect to the acquisition of Independent and a provision for estimated Part XII.6 interest payable on flow-through amounts related to financings in 2007. The relationship with Nuinsco allows the Company to have access to disciplines which would otherwise be cost-prohibitive to a junior company.

Stock option compensation in 2008 relates to stock options granted to officers, directors and employees, some of which are vesting in future periods. The expense in 2008 reflects the grant of 875,000 options at a weighted average exercise price of $0.40; the expense in 2007 reflected the grant of 4,922,500 options at an average exercise price of $0.61. The value assigned to the stock options was calculated using the Black-Scholes option-pricing model as explained in Note 11 to the Company's 2008 Audited Consolidated Financial Statements. Note that replacement options issued pursuant to the Independent acquisition have been recorded as part of the acquisition cost of Independent and not through the consolidated statement of operations.

Management of the Company determined that no significant impairment had been experienced in its exploration and development projects during 2008 despite declining metals prices and other market factors. This conclusion is discussed further under exploration and development projects below. In the current nickel price and financial environment, it is unlikely that any of these projects will commence development in 2009.

However, the Company determined that, in accordance with GAAP, an other-than-temporary loss has occurred with respect to its investment in Wallbridge. This conclusion does not affect the accounting value of the securities which must be recorded at market value, but requires the Company to record the reduction in market value of $2,040,000 through the consolidated statement of operations rather than through other comprehensive loss. Any subsequent recovery in the market value of such shares will be reflected through other comprehensive income.

The future income tax recovery in 2008 of $1,544,000 relates primarily to a change in the Company's assessment of the likelihood that the benefit associated with certain of the losses and costs creating future income tax assets will be realized prior to their expiry. The expiry of non-capital losses is detailed in Note 12 to the Company's 2008 Audited Consolidated Financial Statements. The Company has two projects at or nearing the pre-feasibility and feasibility stages and almost 70% of the non-capital losses do not expire until at least 2028. Approximately $134,000 of the recovery in 2008 relates to the change year-over-year in the enacted tax rates impacting future income taxes. In 2007, $225,000 in future income tax recoveries was recorded to reflect such enacted changes occurring during 2007.

Accounts payable and accrued liabilities are primarily for project-related expenditures, and increased year-over-year primarily because of the feasibility study for the Minago project.

The future income tax liability balance has been eliminated during 2008, primarily because of the recognition of future income tax assets sufficient to bring the future income tax balance to zero. As a result of the Company's renunciation of flow-through expenditures in February of 2008 an amount of $3,335,000 was added to the future income tax liability balance from December 31, 2007 of $1,689,000. Pursuant to the acquisition of Independent and the fair value exercise performed at that time, approximately $3,480,000 of future income tax assets was required to be recorded upon the acquisition of Independent. Combining these balances with the recognition of the future income tax recovery of $1,544,000 in 2008 brings the balance down to zero.

As a result of the acquisition of 84% of Independent effective October, 2008, a non-controlling interest of $27,000 was recorded in the fourth quarter of 2008. Effective December 23, 2008, the Company acquired the remaining non-controlling interest pursuant to a subsequent compulsory acquisition transaction. Accordingly, no such amounts will be recorded in future periods.

Shareholders' equity has increased significantly year-over-year as a result of a private placement occurring in July, 2008, discussed more fully under liquidity and capital resources, and the issuance of shares for the acquisition of Independent described earlier.

SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last eight quarters ended December 31, 2008 is as follows:

Fiscal year 2008	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Revenue and other income	$ 46	$ 41	$ 45	$ 109
Net loss	$ (1,050) (1)	$ (543)	$ (520)	$ (430)
Comprehensive income (loss)	$ 450 (2)	$ (2,107)	$ (1,513)	$ 627
Loss per share - basic and diluted	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.00)
Fiscal period 2007	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter (3)**
Revenue and other income	$ 158	$ 147	$ 219	$ 35
Net loss and comprehensive loss	$ (335)	$ (387)	$ (449)	$ (1,057) (4)
Loss per share - basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)

(1) The net loss for the period includes $2,040,000 writedown of an available-for-sale investment, offset by future income tax recoveries of $1,544,000.
(2) Comprehensive loss for the period reflects a reclassification of $1,500,000 from other comprehensive loss to net loss from operations as a result of the determination that the investment in Wallbridge has suffered an other-than-temporary impairment.
(3) For the period from inception, February 1, 2007, to March 31, 2007.
(4) Includes stock option compensation of $863,000.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2008, the Company had working capital, including cash and cash equivalents, totalling $3,804,000 (December 31, 2007 - $12,385,000). Cash equivalents include bank-guaranteed investment certificates and bank discount notes. The Company has a corporate policy of investing its available cash in Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise specifically approved by the Board.

During the year ended December 31, 2008, the Company used $1,953,000 in operating activities, (eleven-month period ending December 31, 2007 - $1,145,000) comprising cash used in operations before changes in non-cash working capital of $1,659,000 (2007 - $1,012,000) plus a net increase in non-cash working capital balances of $294,000 (2007 - $133,000) including a decrease in amounts due to Nuinsco of $140,000 (2007 - a $158,000 increase).

As the Company is in the development stage, there are no revenues to recover expenses and the operating activities represent the corporate and administrative costs incurred mostly to maintain a public company. The Company estimates that such costs in 2008 amounted to $725,000. Consequently, the Company's liquidity is reduced unless and until there are financing activities to provide funds. Costs incurred to advance the Company's projects are capitalized as summarized below under the discussion of investing activities.

Financing activities for the year generated an aggregate of $7,730,000 (2007 - $11,750,000). In July, 2008, the Company issued 18,046,700 flow-through shares pursuant to private placements at $0.45 per share for net proceeds of $7,689,000. In March, 2007, the Company completed a private placement of common shares which resulted in the issuance of 16,428,571 flow-through common shares at $0.70 per share for net proceeds after costs of issue of $10,694,000. In 2008, $41,000 was received upon the exercise of options compared with $1,056,000 received in 2007 on the exercise of warrants and stock options.

Flow-through funding continues to be available but the current share price makes it difficult to raise significant funding without unacceptable dilution. Also, flow-through financings do not provide the funding necessary to meet corporate expenditures which do not qualify for flow-through eligibility. The significant cost to maintain the Company's public listing cannot be financed with flow-through shares. This anomaly as well as a recommended solution thereto was presented by the Prospectors and Developers Association of Canada to the Minister of Finance in advance of the recent federal budget as a measure to assist junior resource companies but it was not addressed. This will have a serious impact on junior exploration and development companies as the normal equity markets upon which the industry has historically relied have all but disappeared. It is unfortunate that the recommendations were not accepted for an industry that represents approximately 5% of Canada's GDP.

On acquisition of Independent in October, 2008, $2,308,000 of cash was included in the assets acquired; on formation of Victory Nickel in 2007, the Company received cash of $11,906,000, which amount was net of Plan of Arrangement costs of $762,000. The acquisition of Independent used cash of $1,326,000 on legal, advisory and other transaction-related costs. These costs were included in the purchase cost of Independent as described above.

During 2008, investing activities used $16,552,000 compared with $9,626,000 in 2007. An aggregate of $12,696,000 was used to advance exploration and development projects (2007 - $9,408,000, net of exploration advances transferred to the Company on inception of $448,000). The Company also acquired a strategic position in the shares of Wallbridge at an aggregate cost of $2,490,000. The Company now holds 9,000,000 shares of Wallbridge as well as 3,750,000 share purchase warrants, representing an approximate 9.8% interest (13.3% on a partially diluted basis). Each warrant entitles the holder thereof to purchase one additional common share of Wallbridge at an exercise price of $0.80 per share if the warrant is exercised prior to March 26, 2009, or $1.00 per share if exercised during the period between March 26, 2009 and March 26, 2010. Wallbridge shares had a market value of $0.05 as at December 31, 2008 and were deemed by management to have suffered an other-than-temporary decline in market value as of that date. Accordingly, accounting practice required a writedown and resulting charge to operations of $2,040,000 in 2008.

In 2007, the Company acquired $1,727,000 of marketable securities which were sold in the same period for proceeds of $1,789,000 in conjunction with a potential transaction.

These activities required cash and cash equivalents of $8,467,000 during 2008, compared with generation of cash of $12,885,000 for the period from the date of inception to December 31, 2007. As a result, the Company's working capital decreased by a similar amount.

As described above, exploration and development companies such as Victory Nickel are heavily reliant upon the equity markets to fund their activities as they have no short-term sources of revenue other than through realization of assets. Opportunities available to Victory Nickel for financing would normally be through private placements in the equity markets. Today's equity markets make this alternative difficult if not impossible without incurring significant dilution to existing shareholders. Unless the markets turn around, the Company may be required to undertake a rights offering or carry out a corporate transaction to protect its assets or sell assets. The Company will consider all alternatives given appropriate pricing and other market conditions, however in this currently depressed economic environment it is uncertain how such initiatives will be received and how successful they will be in generating cash to finance activities.

The Company has good title to its projects and will maintain the projects in good standing until market conditions improve.

The Company's working capital requirements are modest. At December 31, 2008, the major item requiring financing was a GST receivable which averaged approximately $180,000 per quarter of 2008. Monthly average administrative costs for 2009 are estimated at $110,000, most of which are incurred to meet statutory requirements. The Company's remaining flow-through commitment which will be completed by December 31, 2009 is $2,769,000.

Given its current cash position, the Company has been required to reduce its activities to a minimum until additional funding is available. Cost reduction measures have already been implemented, as described in the Outlook section, and others are being considered to ensure the Company remains viable and retains its assets until metal, financial and equity markets return. The decision has been made to complete the Minago feasibility study.

The completion of this study is expected to use up to $0.5 million of the $3.8 million working capital as at December 31, 2008. In addition, costs to complete and file the Environmental Impact Study required to obtain permits and complete an access road could cost approximately $2 million by the end of June 2009. Both of these expenditures are discretionary in nature but would delay the project if not completed as planned.

Assuming that we complete all of these programs, the balance available to complete the Company's flow-through commitment and fund corporate costs for the remainder of the year will be approximately $1.3 million using the working capital of $3.8 million at the end of 2008. However, the Company expects to receive working capital from several sources during 2009 which will add approximately $1 million. Based on these estimates, which exclude discretionary spending other than that mentioned above, the Company expects to end the year with cash in the bank without further financing.

However, there are several programs which should be advanced so the Company is considering all manner of financings given the current financial market environment. Management is monitoring the outcome of financing initiatives being undertaken in the marketplace, such as rights offerings, equity issuances, etc. as well as market conditions, before launching any offering.

Assuming a positive outcome of the Minago feasibility study and/or a determination to bring the Lac Rocher, Mel or Lynn Lake projects to production, significant construction financing will be required. It is unlikely that these projects could be financed in the current metal price and financial environment.

EXPLORATION AND DEVELOPMENT ACTIVITIES

For the year ended December 31, 2008, the Company incurred exploration costs on its nickel properties of $13,657,000 (2007 - $9,962,000), including $12,845,000 on the Minago project, $304,000 on the Mel project, $242,000 on Lynn Lake and $266,000 at the Lac Rocher project (2007 - $7,314,000; $1,452,000, $nil and $1,196,000, respectively). In addition, the Company acquired $2,011,000 of exploration and development projects pursuant to the acquisition of Independent. The Company attributed $770,000 to the Minago royalty and $1,241,000 to the Lynn Lake property as part of accounting for its acquisition of Independent.

Paul Jones, Vice-President, Exploration, is a "qualified person" as defined under NI-43-101, and he has supervised the preparation of the information relating to the material mineral projects of the Company described herein.

Minago Project
The Company's l00%-owned Minago project is located on the Thompson Nickel Belt in Manitoba, and is one of Canada's largest undeveloped sulphide nickel deposits with measured and indicated resources of 54.2 million tonnes grading 0.52% nickel, or 620 million pounds of in-situ nickel (0.25% nickel cut-off grade), comprised of an 11.1 million tonne measured resource grading 0.56% nickel and a 43.1 million tonne indicated resource grading 0.51% nickel. A further 14.6 million tonne inferred resource at 0.53% nickel contains an additional 170 million pounds of in-situ nickel.

Following the completion of a scoping study in the fall of 2006, Wardrop was engaged to conduct a feasibility study. The feasibility study is ongoing, and is expected to be completed in 2009 following a comprehensive review to ensure that costs reflect the changing market conditions.

An extensive work program was conducted during the winter of 2008 comprising 26 drill holes totalling 11,530m. The objectives of this drilling were to:

- Upgrade inferred resource estimates below the existing planned bottom of the open pit (10 holes, 7,532m, dedicated to this study);
- Collect rock mechanics data for a potential underground mine;
- Provide material for metallurgical testing;

- Assess nickel potential in areas that may be covered by rock dumps, tailings and buildings (8 holes, 1,486m, dedicated to this study, located on the basis of the 2007 airborne geophysical survey); and
- Explore the Xstrata Option (8 holes, 2,512m, dedicated to this study).

The drill holes collared to test mineralization beneath the currently planned pit bottom were obtained from the east and west parts of the Minago Deposit and demonstrate the widespread distribution of elevated nickel values within the ultramafic host rock. They also show that nickel mineralization does continue to depth. All drill holes intersected nickeliferous rock, with notable intercepts occurring in drill hole V-08-04b that intersected an enormous interval of 656.98m grading 0.4% nickel, including 46.29m grading 1.31% nickel and drill hole V-08-06 that intersected 47.82m of 1.30% nickel within a 623.48m intercept grading 0.36% nickel.

An eight-hole drilling program (holes designated VX-08-01 through VX-08-08) was conducted approximately 3km north of the Minago Nose Deposit (which hosts the entire Minago nickel resource) on claims optioned from Xstrata Nickel. Drill hole VX-08-03 (302m total length) intersected 66m grading 0.52% Ni within sulphide bearing ultramafic rock. The mineralization, grade and host rocks are similar to those of the Minago Nose Deposit and serve to confirm the prospective nature of the local region at Minago which includes the extensive nickeliferous rock of the under-explored “North Limb.” A total of 2,512m of drilling was completed on the optioned claims, with all of the holes targeting geophysical anomalies and intersecting considerable Thompson and Pipe formation rock - host to nickel mineralization in the Thompson Nickel Belt. Locally abundant sulphide was observed. Nickel analyses peaked at 1.69% Ni over 1.5m within the 66m interval between 78.55m and 144.55m that graded 0.52% Ni in DDH VX-08-03; this mineralized interval occurs at shallow depth in the Thompson Nickel Belt rocks.

Importantly, the drilling noted above is located northwest of the "North Limb" mineralization, thus extending the distribution of known nickeliferous rock on the property well to the north of the Minago Deposit. Other historic drilling has identified nickel mineralization elsewhere in the local region, providing further evidence of substantial nickel endowment. When coupled with the reinterpretation of magnetic surveys using inversion techniques - which indicate a possibly significant extension at depth to known nickel mineralization - the exploration potential at Minago is enormous and the possibility to expand on the existing resource in the “Nose Deposit” is significant.

Mel Project

The Mel project is located on the Thompson Nickel Belt, just north of Thompson, Manitoba. It is a large property, approximately 25km east-west by about 6km north-south.

Mel has an indicated resource of 4.3 million tonnes grading 0.88% nickel (approximately 83 million pounds in-situ nickel) and an additional inferred resource of one million tonnes grading 0.84% nickel (approximately 19 million pounds in-situ nickel) and offers significant exploration upside as well as near-term production potential.

The 2007 winter drill program comprised 30 drill holes encompassing 5,733m of drilling to better define and add to the existing resource. This program intersected significant grades over mineable widths, including 1.11% nickel over 13.67m.

No diamond drilling was conducted in 2008. However, ongoing environmental baseline studies were undertaken. The Company has fully funded sufficient expenditures to earn a 100% ownership interest in this project subject to a 51% Vale Inco back-in. Vale Inco is completing a metallurgical study prior to making a decision on exercising its back-in right. By agreement, Vale Inco must mill ore from the Mel project at cash costs plus 5% subject to capacity availability and metallurgy.

Lac Rocher

Lac Rocher is located in northwestern Québec and has measured (0.29 million tonnes grading 1.23% Ni) and indicated (0.51 million tonnes grading 1.05% Ni.) resources of 0.80 million tonnes grading 1.12% nickel, at a 0.5% nickel cutoff, for approximately 20 million pounds of in-situ nickel located between surface and 125 vertical metres. Additional inferred resources total 0.44 million tonnes grading 0.65% Ni. Mineralization remains open to the southwest.

During 2007, the Company was very active with respect to advancing the Lac Rocher property. A 12-hole, 1,500m diamond drill program tested for extensions to the nickel sulphide mineralization and provided metallurgical samples for completing a preliminary economic assessment ("PEA") of the near-term production and cash generation potential of the project that was being completed by Roche Limited Consulting Group ("Roche"). Drill results graded up to 9.5% nickel over 2.29m within a larger intercept of 45.92m grading 1.42% nickel, and continued to expand the Company's geological and metallurgical understanding of the massive sulphide zone at Lac Rocher.

In addition, Victory Nickel entered into a Memorandum of Understanding with the Waswanipi Cree First Nation ("WCFN") whereby the parties have agreed to work together to support development of the Lac Rocher deposit in a way that respects the collective interests of Victory Nickel, the WCFN and other stakeholders.

In 2008, the Company received positive metallurgical results from testing of material from the disseminated sulphide zone at Lac Rocher that complimented test results from Xstrata Process Support, Process Mineralogy, in Falconbridge, Ontario, announced late in 2007 on mineralization from the massive sulphide zone. A total of 15 flotation tests were completed by Corem, an independent laboratory based in Québec, on material from the disseminated sulphide zone, yielding nickel recovery of 79.9% at a grade of 11.04% and copper recovery of 94.2% at a grade of 4.14% to a nickel/copper concentrate. This compares well to nickel recovery of 85.04% at a grade of 10.90% and copper recovery of 96.67% at a grade of 4.80% from the massive sulphide zone.

No diamond drilling was conducted in 2008; however ongoing environmental baseline studies were undertaken. The PEA was completed by Roche on two phases of an underground exploration and bulk sampling program to evaluate ore continuity and provide further metallurgical evaluation.

The PEA proposes two phases of mining that would extract 317,730 tonnes of material at a grade of 1.57% nickel, 0.58% copper and 0.053% cobalt. This would result in the production of 38,400 tonnes of a mixed nickel-copper-cobalt concentrate containing some 4,040 tonnes of nickel (8.9 million pounds), 1,680 tonnes of copper (3.7 million pounds) and 160 tonnes of cobalt (0.35 million pounds). The PEA, based on the current mineable tonnes, shows that metal prices of US$9.74/lb nickel, US$3.65/lb copper and US$30.43/lb cobalt (at an exchange rate of C$1.00:US$0.95) are necessary for the project to break even on a pre-tax, 100% equity basis.

All extracted material is assumed to be transported offsite to the Copper Rand mill operated by Campbell Resources Inc. ("Campbell") Chibougamau, Québec. Although Campbell has ceased mining operations in Chibougamau, the Copper Rand mill remains available. In addition to those noted above, the PEA was based on the following parameters: concentrate grading 10.5% nickel, 3.9% copper and 0.33% cobalt; recoveries of 81% for nickel, 91% for copper and 95% for cobalt; an exchange rate of C$1.00:US$0.95; and, transportation, at a cost of $35.00 per tonne, of mined material to Chibougamau for processing.

Current plans are for road construction to be completed from the end of the existing logging road to the site of the proposed Lac Rocher portal, which will allow year-round ground access to the site. This road will only be completed if the Company has adequate funds available. The Company will be reviewing the PEA to see if more economical mining methods are possible.

Lynn Lake

The Lynn Lake property is located in the historic mining town of Lynn Lake in northern Manitoba, about 320km by road northwest of the Thompson mining camp. The Lynn Lake property is the former Sherritt producing mine site known as the Lynn Lake A Mine and Farley Mine. The Lynn Lake nickel mine was first operated by Sherritt-Gordon from 1953 to 1976. During its 23 years of operation, the mine produced over 20 million tonnes of nickel-copper ore at a grade of 1.02% nickel and 0.54% copper, making Lynn Lake the third largest nickel producer in North America. The mine closed in 1977 due to a period of stagnant growth in the nickel market, not because the ore was mined out.

The Lynn Lake property was acquired by Independent in early 2005, following which several drill programs were carried out. This included approximately 20,000m of drilling during 2007 designed to further test for new zones of resource potential at the Lynn Lake Mine.

The Lynn Lake project has 0.86 million tonnes of measured resources grading 0.80% nickel or 15 million pounds of in-situ nickel as well as 13.7 million tonnes of indicated resources at 0.65% grade or 196 million pounds. A further 4.2 million tonnes inferred resources grading 0.59% nickel contains an additional 55 million pounds of in-situ nickel.

In December, 2007, Independent filed a NI 43-101 compliant Pre feasibility Study, prepared by Wardrop.

Highlights of the base case of the pre-feasibility study include the following:
• A pre-tax internal rate of return of 29%;
• A pre-tax net present value (“NPV”) of $131 million using an 8% discount rate (net of CAPEX);
• A pre-tax NPV of $179 million using an 5% discount rate (net of CAPEX);
• A payback on mine costs of three years;
• Pre-tax profit over an initial 11 year mine life of $296 million;
• Pre-production capital cost of $148 million;
• Cash cost of producing refined nickel product of $4.90 per pound of nickel, net of byproduct sales;
• Production rate of 3,000 tonnes per day;
• Average annual nickel production of 11.2 million lbs. (5,090 tonnes); and
• Average annual copper production of 6.2 million lbs. (2,817 tonnes).

The base case included evaluation of a bioleach option. This option could also potentially enhance the returns of the Company’s other projects noted above although this would require additional evaluation.

While the base case used a nickel price of US$9.01 and an exchange rate of 0.87, adjusting for those factors to the parameters which were used for evaluating impairment, as described below, the pre-feasibility study would indicate positive cash flows on a non-discounted basis and accordingly, no impairment is indicated. Further, the study was released in times when operating and capital costs were at their peak and these have since decreased.

On April 28, 2008, Independent announced the discovery of a new zone of shallow high grade nickel mineralization on the Lynn Lake property, named the Disco Zone. The discovery was made by Western Areas NL close to a property boundary between the Lynn Lake property and Western Areas’ property, and was subsequently established to have been discovered on the Lynn Lake property. Results, as announced by Western Areas, included the following:

• 18m @ 1.5% Ni, 0.7% Cu and 0.04% Co from 96m down hole (86m vertical depth).
• 14m @ 1.4% Ni, 0.7% Cu and 0.03% Co from 72m down hole (55m vertical depth).
• 22m @ 0.7% Ni, 0.4% Cu and 0.02% Co from 67m down hole (62m vertical depth).
• 5m @ 1.1% Ni, 0.6% Cu and 0.03% Co from 86m down hole (82m vertical depth).

Following the announcement of these results, Independent commissioned an induced polarization (“IP”) geophysical survey in and around the Disco Zone. In addition to characterizing the Disco Zone mineralization, the geophysical survey highlighted 10 similar targets. Independent also completed 3D modeling of the Disco Zone, to aid in the interpretation of the controls and potential volume of the mineralization. This modeling has confirmed “open” areas in proximity to the Disco zone both at depth and to the southeast of the zone as defined to date.

During the third quarter of 2008 Independent continued to conduct exploration at the Disco Zone, however, given capital market conditions and the acquisition of Independent by the Company, drilling activities were suspended at the Lynn Lake property. The Company is currently evaluating additional work on the Lynn Lake property and will review the pre-feasibility study prepared by Wardrop in detail.

IMPAIRMENT ANALYSIS

Given the changes in the metals markets and other general economic factors, the Company performed an impairment analysis on each of its exploration and development projects.

The analysis reviewed historic expenditures recorded on each project along with any purchase price allocations from acquisitions, reflected the existence of previous writedowns and also considered the existence of any economic studies which had been performed. The assumptions used in such studies were reviewed for such factors as: forecast metals prices, foreign exchange rates, changes in resource and/or cost estimates, changes in royalty arrangements, the existence of significant by-products and other matters as necessary.

Forecast metals prices were estimated from third-party sources such as analyst consensus reports and other available documentation which were considered to be reasonable by management. In particular, a long-term nickel price of US$7.15 and an exchange rate of US$0.8202 : C$1.00 were used.

Capital and operating cost estimates generally were reduced from those used in prior studies if documentary evidence had recently been obtained as part of the review work presently being undertaken for the Minago feasibility study. Often cost estimates used in previous studies had been derived when such were universally recognized to be at historic highs.

Furthermore, management's intentions with respect to future expenditures and plans for the projects were considered. With the exception of some small projects acquired as part of the Independent acquisition and which were valued at $nil as part of the purchase accounting, all projects have had recent expenditures and are considered to be active. In 2005, management recorded a writedown of approximately $4 million on the Mel project as an agreement had not been received before the time that financial statements for that year had to be issued. In accordance with GAAP, such writedown could not be reversed upon receipt of the agreement. Accordingly, the amount recorded for Mel of $2,462,000 does not reflect the total expenditures made on that project.

Management concluded that no impairment existed in each of its projects effective December 31, 2008 and that costs incurred to date are recoverable. The Company will continue to monitor developments as they occur in the metals markets and the economy and will update its impairment analysis to take account of any such changes, as appropriate.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates used in the preparation of the consolidated financial statements include determining the carrying value of investments and exploration and development projects, assessing the impairment of long-lived assets, determining future income taxes and the valuation of stock option compensation. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

For a complete list of the significant accounting policies as well as information concerning the use of estimates and measurement uncertainty, reference should be made to Notes 2 and 3 of the Company's 2008 Audited Consolidated Financial Statements. The Company's financial statements have been prepared using the going concern assumption; reference should be made to Note 1 to the Company's 2008 Audited Consolidated Financial Statements.

The Company's recorded value of its exploration and development projects is based on historical costs that are expected to be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is exposed to a number of risks and there is always the potential for a material adjustment to the value assigned to these assets. Such risks also extend to the evaluation of fair values of net assets upon acquisition.

The fair value of the stock options and warrants is calculated using an option pricing model that takes into account the exercise price, expected life of the option/warrant, expected volatility of the underlying shares, expected dividend yield, and the risk free interest rate for the term of the option/warrant.

NEW ACCOUNTING POLICIES

Financial Instruments and Capital Disclosures
The Canadian Institute of Chartered Accountants ("CICA") has issued the following accounting standards effective for fiscal years beginning on or after January 1, 2008: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862) and Financial Instruments – Presentation (Handbook Section 3863).

The Company has included disclosures recommended by the new Handbook Sections 1535, 3862 and 3863 in Note 4 to the Company's 2008 Audited Consolidated Financial Statements.

General Standards on Financial Statement Presentation
CICA Handbook Section 1400, "General Standards on Financial Statement Presentation," has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The standard requires that management make an assessment of a company's ability to continue as a going concern and to use the going concern basis in the preparation of the financial statements unless management either intends to liquidate the company or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon a company's ability to continue as a going concern, those uncertainties should be disclosed. The adoption of these amendments has not had a material impact on the Company's consolidated financial statements.

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards
The CICA plans to transition Canadian GAAP for public companies to International Financial Reporting Standards ("IFRS"). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company's consolidated financial statements is currently being assessed. Staff commenced training in IFRS during 2008 and the audit committee has placed IFRS conversion as a standard agenda item.

Business Combinations
In October 2008, the CICA issued Handbook Section 1582, Business Combinations, which establishes new standards for accounting for business combinations. This is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Should the Company engage in a future business combination, it would consider early adoption to coincide with the adoption of IFRS.

Non-controlling Interests
Also in October, 2008, the CICA issued Handbook Section 1602, Non-controlling Interests, to provide guidance on accounting for non-controlling interests subsequent to a business combination. This is effective for fiscal years beginning on or after January, 2011.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities
In January 2009, the CICA approved EIC 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company does not expect that this will have any material impact on its consolidated financial statements.

CORPORATE GOVERNANCE

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer, (collectively, the "Certifying Officers"), are responsible for designing a system of disclosure controls and procedures, or causing them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed in reports filed with or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws and that material information relating to the Company is made known to them with respect to financial and operational conditions to allow timely decisions regarding required disclosure. For the fiscal year ended December 31, 2008, an evaluation was commissioned by the Company under the supervision of the Certifying Officers and with the participation of management of the effectiveness of the Company's disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities. Based on this evaluation, the Certifying Officers have concluded that the design and operation of the Company's disclosure controls and procedures were effective as at December 31, 2008. Such controls are facilitated by the small size of the Company's senior management team and their access to material information.

Evaluation of Internal Control over Financial Reporting

The Company's Certifying Officers are responsible for designing a system of internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with Canadian GAAP. The Company used the COSO control framework. For the fiscal year ended December 31, 2008, an evaluation was commissioned by the Company under the supervision of the Certifying Officers and with the participation of management of the effectiveness of the Company's internal control over financial reporting. Based on this evaluation, the Certifying Officers have concluded that the design and operation of the Company's internal controls over financial reporting and procedures were effective as at December 31, 2008. During the evaluation process, the Company made improvements to the internal controls over financial reporting.

The management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

There were no changes to the Company's internal controls over financial reporting that occurred during the year ended December 31, 2008 that materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

RELATED PARTY TRANSACTIONS

The Company obtains management, administrative assistance and facilities from Nuinsco pursuant to a management agreement. The fees payable by the Company under the arrangement are recorded at the exchange amount which is equal to the cost to Nuinsco of providing such services plus 10 percent. General and administrative costs charged to the Company during the year ended December 31, 2008 totalled $650,000 (2007 - $809,000). In addition project-related costs aggregating $66,000 (2007 - $463,000) have been charged to the Company by Nuinsco during the period and are included in exploration and development costs on the consolidated balance sheet. Victory Nickel charged Nuinsco $53,000 for the year ended December 31, 2008 for project-related costs incurred by it on behalf of Nuinsco. The management agreement has an initial term of 24 months and is terminable thereafter by Nuinsco upon 90 days notice and by the Company upon 180 days notice. No such notice has been received or made.

OUTSTANDING SHARE DATA

At March 27, 2009, the Company had 261,709,809 common shares issued and outstanding. In addition, there were 26,706,498 stock options and 1,687,963 warrants outstanding on March 27, 2009, which if exercised and issued would bring the fully diluted issued common shares to a total of 290,104,270, and would generate cash of approximately $9,220,000.

RECENT DEVELOPMENTS

a) On January 6, 2009, the Company announced the receipt of a NI-43-101-compliant revised resource estimate for the Minago Project. The revised resource estimate prepared by Wardrop Engineering Limited ("Wardrop") reports only the nickel that is present in sulphide minerals (denoted NiS), and excludes unrecoverable nickel in silicate. This is necessary to allow accurate determination of a recovery curve at various grades. Previous Minago resource estimates have been reported on a Total Nickel basis at a 0.25% cut-off grade. The adoption of NiS values for the resource estimate (using a 0.20% nickel sulphide cut-off grade as a minimum for economic viability) provides a more accurate determination of the recoverable nickel.

The Minago Project NiS resource estimate is as follows:

Sulphide Nickel Resource Estimate, January 2009			
Classification **At 0.2% Nickel Sulphide Cut-off Grade**	**Tonnes (millions)**	**Grade (% NiS)**	**NiS In-Situ Nickel (millions of pounds)**
Measured Resource	9.1	0.47	94
Indicated Resource	35.0	0.42	327
Total Measured and Indicated	**44.1**	**0.43**	**420**
Inferred Resource	**12.0**	**0.44**	**115**

b) On January 15, 2009, the Company announced the appointment of Ms. Alison Sutcliffe to the position of Vice-President, Finance and Chief Financial Officer. Ms. Sutcliffe replaced Mr. Robert Wardell who has retired.

c) On January 29, 2009 and March 26, 2009, respectively, the Company announced that Wayne Whymark and Richard Murphy had resigned from the Board of Directors. Messrs. Whymark and Murphy joined the Board of Directors in October, 2008 pursuant to the Support Agreement entered into by Victory Nickel and Independent pursuant to Victory Nickel's offer to purchase all of the outstanding shares of Independent. With the departure of Mr. Whymark in January, Mr. René Galipeau, Chief Executive Officer of the Company, was re-appointed to his roles of Vice-Chairman and director.

RISKS AND UNCERTAINTIES

The exploration and development of natural resources are speculative activities that involve a high degree of financial risk. The risk factors which should be taken into account in assessing Victory Nickel's activities and an investment in its securities include, but are not necessarily limited to, those set out below.

The relative significance of each risk described below will vary as a function of several factors including, but not limited to, the state of the economy, the stage of Victory Nickel's projects, the availability of financing on acceptable terms and other matters.

Any one or more of these risks could have a material adverse effect on the value of any investment in Victory Nickel and the business, financial condition, operating results or prospects of Victory Nickel and should be taken into account in assessing Victory Nickel's activities.

Industry Risks

Speculative Nature of Mineral Exploration

Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that Victory Nickel's exploration efforts will be successful. Few properties that are explored are ultimately developed into economically viable operating mines. Success in establishing reserves is a result of a number of factors, including the quality of Victory Nickel's management, level of geological and technical expertise, the quality of land available for exploration and other factors. Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling to determine the optimal extraction method for the ore and the metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. It is possible that even preliminary due diligence will show adverse results, leading to the abandonment of projects. It is impossible to ensure that preliminary feasibility studies or full feasibility studies, such as is being performed with respect to Minago, on Victory Nickel's projects or the current or proposed exploration programs on any of the properties in which Victory Nickel has exploration rights will result in a profitable commercial mining operation. As a result of these uncertainties, no assurance can be given that Victory Nickel's exploration programs will result in the establishment or expansion of resources or reserves.

Development Projects

In general, development projects have no operating history upon which to base estimates of future cash operating costs. For development projects such as the mineral resource properties owned by Victory Nickel, estimates of proven and probable reserves are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. This information is used to calculate estimates of the capital cost, cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. In addition, there remains to be undertaken certain feasibility and development preparation work on the projects that could adversely impact estimates of capital and operating costs required for the development of the projects. Costs necessary to develop the projects could be significant and will have a direct impact on the economic evaluation of the projects. As a result, it is possible that the actual capital cost, cash operating costs and economic returns of the projects may differ from those currently estimated. The costs estimated under the PEA for Minago may differ under the feasibility study presently being performed.

Competition

The mineral exploration business is highly competitive in all of its phases. Victory Nickel competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than Victory Nickel, in the search for and acquisition of exploration and development rights on attractive mineral properties. Victory Nickel's ability to acquire exploration and development rights in the future will depend not only on its ability to develop the properties on which it currently has exploration and development rights, but also on its ability to select and acquire exploration and development rights on other suitable properties. There is no assurance that Victory Nickel will compete successfully in acquiring exploration and development rights on such other properties.

Operational Risks

Limited History of Operations

Victory Nickel has no history of earnings and limited financial resources. Victory Nickel currently has no operating mines and its ultimate success will depend on its ability to generate cash flow from active mining operations in the future, as well as its ability to access capital markets for its development requirements. There is no assurance that Victory Nickel will earn profits in the future. Significant capital investment will be required to achieve commercial production from Victory Nickel's existing projects from successful exploration efforts. There is no assurance that Victory Nickel will be able to raise the required funds to continue these activities.

Development Targets, Permitting and Operational Delays

There can be no assurance that Victory Nickel will be able to complete the planned development of the projects on time or on budget due to, among other things, delays in receiving required consents, permits and registrations, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support Victory Nickel's operations. Any failure to meet development targets or other operational delays or inadequacies could have a material adverse effect.

Resources and Production

The figures for resources presented in this document are estimates and no assurance can be given that the anticipated level of recovery and/or grades of resources will be realized. Moreover, short-term operating factors relating to ore resources, such as the need for orderly development of an ore body or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period.

Title Risks
Victory Nickel's ability to hold various mineral rights require licences, permits and authorizations and, in some cases, renewals of existing licences, permits and authorizations from various governmental and quasi-governmental authorities. Management believes that Victory Nickel currently holds or has applied for all necessary licences, permits and authorizations to carry on the activities which Victory Nickel is currently conducting and to hold the mineral rights Victory Nickel currently holds under applicable laws and regulations in effect at the present time. Management also believes that Victory Nickel is complying in all material respects with the terms of such licences, permits and authorizations. However, Victory Nickel's ability to obtain, sustain or renew such licences, permits and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental and quasi-governmental bodies.

No assurance can be given that Victory Nickel's properties are not subject to prior unregistered agreements or interests or undetected claims or interests which could be material and adverse to Victory Nickel. Additionally, mineral properties may carry with them significant development costs and abandonment and site restoration obligations for which Victory Nickel may, or will, become responsible for in the future.

Insurance Risk
Victory Nickel faces all of the hazards and risks normally incidental to the exploration and development of base metals, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all such damage caused. Victory Nickel's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which Victory Nickel has interests; not all such risks are insurable.

Financial and Investment Risks

Substantial Capital Requirements
Victory Nickel will have to make substantial capital expenditures for the development of and to achieve production from the projects. There can be no assurance that any debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Victory Nickel. Moreover, future activities may require Victory Nickel to alter its capitalization significantly. The inability of Victory Nickel to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects.

Market Perception
Market perception of junior exploration, development and mining companies may shift such that these companies are viewed less favourably. This factor could impact the value of investors' holdings and Victory Nickel's ability to raise further funds by issue of additional securities or debt.

Metal Prices
There is no assurance that, even if commercial quantities of mineral resources are developed, a profitable market will exist for the sale of such product. Nickel and by-product prices fluctuate on a daily basis and are affected by numerous factors beyond Victory Nickel's control – including factors which are influenced by worldwide circumstances. The level of interest rates, the rate of inflation, world supply of nickel and by-products and stability of exchange rates can all cause significant fluctuations in nickel and by-product prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of nickel and by-products has historically fluctuated widely and future price declines could cause commercial production to be uneconomical and such fluctuations could have a material adverse effect on Victory Nickel's business, financial condition and prospects. As Victory Nickel is in the exploration stage, the above factors have had no material impact on present operations but are considered in evaluating the impairment of long-lived assets.

Areas of Investment Risk
The common shares of Victory Nickel are listed on the TSX. The share prices of publicly traded companies can be volatile as the price of shares is dependent upon a number of factors, some of which are general or market or sector specific and others that are specific to Victory Nickel.

The market for shares in small public companies is less liquid than for large public companies. Investors should be aware that the value of the Company's common shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Company's common shares may not reflect the underlying value of Victory Nickel's net assets. The price at which investors may dispose of their securities may be influenced by a number of factors, some of which may pertain to Victory Nickel and others of which are extraneous. On any disposal of their common shares, investors may realize less than the original amount invested.

Regulatory Risks

Government Regulation
Existing and possible future environmental and social impact legislation, regulations and actions, including the regulation of air and water quality, mining reclamation, solid and hazardous waste handling and disposal, the promotion of occupational health and safety, the protection of wildlife and ecological systems and the protection of the societies and communities of indigenous peoples, could cause significant expense, capital expenditures, restrictions and delays in activities, the extent of which cannot be predicted and which may well be beyond Victory Nickel's capacity to fund. Environmental laws are becoming more actively enforced. Environmental and social impact studies may be required for some operations and significant fines and clean up responsibilities may be assessed for companies causing damage to the environment in the course of their activities.

Economic, Political, Judicial, Administrative, Taxation or Other Regulatory Factors
Victory Nickel may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors in the areas in which Victory Nickel does or will operate and holds its interests, as well as unforeseen matters.

Other Risks

Environmental and Health Risks
The Company has no significant exposure to environmental or health risks, although this will change as the Company's projects approach production (a normal characteristic of mineral industry projects). The Lynn Lake project, acquired pursuant to the takeover bid for Independent, is a former operating mine, however indemnifications exist from the Manitoba Government with respect to any pre-existing environmental concerns at that property.

Key Personnel
Victory Nickel relies on a limited number of key consultants and there is no assurance that Victory Nickel will be able to retain such key consultants or other senior management. The loss of one or more of such key consultants or members of senior management, if not replaced, could have a material adverse effect on Victory Nickel's business, financial condition and prospects. Directors and management have accepted deferrals of remuneration in order to assist the Company through the economic turmoil; however, this potentially adds to the risk of losing experienced personnel.

Conflicts of Interest
Certain of the Company's directors and officers are also directors and officers of other natural resource companies. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers relating to Victory Nickel will be made in accordance with their duties and obligations to deal fairly and in good faith with Victory Nickel and such other companies.

Summary

The future success of the Company is subject to a number of risk factors that are common to the junior natural resources sector. These include the extent to which it can outline natural resources on its properties and establish the economic viability of developing those properties and the political, economic and legislative stability of the territories in which the Company's interests are located. Another significant factor is the ability of the Company to obtain necessary financing or to find strategic partners to fund expenditure commitments as they fall due, as the Company currently has limited funds. Furthermore, the development of any natural resource interest may take years to complete and the resulting income, if any, from the sale of any natural resources produced by the Company is largely dependent upon factors that are beyond its control, such as costs of development, operating costs and the market value of the end product.

FORWARD-LOOKING STATEMENTS

Forward-Looking Information: This Management's Discussion and Analysis contains forward-looking information. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates and/or assumptions in respect of production, revenue, cash flow, costs, economic return, net present value, mine life and financial models, mineral resource estimates, potential mineralization, potential mineral resources, timing of possible production and the Company's development plans and objectives) constitute forward-looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company.

Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; the possibility that actual circumstances will differ from estimates and assumptions; uncertainties relating to the availability and costs of financing needed in the future; failure to establish estimated mineral resources; fluctuations in commodity prices and currency exchange rates; inflation; recoveries being less than those indicated by the testwork carried out to date (there can be no assurance that recoveries in small scale laboratory tests will be duplicated in large tests under on-site conditions or during production); changes in equity markets; operating performance of facilities; environmental and safety risks; delays in obtaining or failure to obtain necessary permits and approvals from government authorities; unavailability of plant, equipment or labour; inability to retain key management and personnel; changes to regulations or policies affecting the Company's activities; the uncertainties involved in interpreting geological data; and the other risks disclosed under the heading "Risk Factors" and elsewhere. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

March 27, 2009